

October 4, 2010

Natural Gas Trends

Highlights

LANDMARK AGREEMENT REACHED BETWEEN IOGCC AND GROUNDWATER PROTECTION COUNCIL

On September 29, 2010, the Interstate Oil and Gas Compact Commission (IOGCC) and the Groundwater Protection Council (GWPC) announced their agreement, via a *Memorandum of Understanding*, to jointly participate in certain future projects relevant to the oil, gas, and water industries. The IOGCC represents governors of 38 oil and gas producing states in the U.S. The GWPC is a consortium of states' groundwater regulatory agencies. The national headquarters for both organizations are located in Oklahoma City, OK. The full text of the *Memorandum of Understanding* is at:

As part of their
*Memorandum of
Understanding*, the
IOGCC and GWPC
agreed to share
technical and financial
resources, on a project
by project basis.

<http://www.iogcc.state.ok.us/news>

One project under development is the *National Oil and Gas Data Portal* which, when completed, will provide online information about oil and gas regulation, particularly with respect to groundwater issues, for example, information about hydraulic fracturing chemicals. Within the past year, a number of oil and gas producers have announced that they plan to voluntarily reveal the chemical content of their hydraulic fracturing fluids. The *Data Portal* website will provide such information on a well-site by well-site basis.

All three Commissioners at the Railroad Commission of Texas are members of the IOGCC, with Chairman Carrillo designated as the official representative for Texas Governor Rick Perry.

Sources: IOGCC website and Mike Paque, Executive Director, GWPC

Data

- November Natural Gas Futures Contract (Oct 1), NYMEX at Henry Hub closed at \$3.797
- November Light, Sweet Crude Oil Futures Contract (Oct 1), NYMEX at Cushing closed at \$81.58 per U.S. oil barrel (Bbl.) or approximately \$12.99 per million British Thermal Units (MMBtu)

Last week: Cooler Than Normal in Texas

For the week beginning 9/26/10 and ending 10/2/10, cooling degree days were lower than normal for Texas and higher than normal for the U.S. For the cooling season (1/1/10 to 12/31/10), cumulative cooling degree days are 9% above normal for Texas and 22% above normal for the U.S. Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 10/2/10	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	27	+ 4	1599	+ 21 %
Austin	40	- 38	2823	+ 4 %
Dallas – FW	38	- 20	3039	+ 24 %
El Paso	72	+ 28	2627	+ 20 %
Houston	71	- 3	3084	+ 17 %
San Antonio	56	- 23	2885	+ 4 %
Texas**	46	- 16	2660	+ 9 %
U.S.**	30	+ 7	1397	+ 22 %

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. Gas Storage Rises to 3.414 Bcf

For the week ending 9/24/2010, U.S. working gas in storage increased from 3,340 to 3,414 Bcf compared to 3,580 Bcf in storage a year ago and compared to an average of 3,212 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) increased from 1,029 to 1,050 Bcf. Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 9/24/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1867	1819	+ 53	+ 1.2 %
West	497	492	+ 5	+ 14.0 %
Producing	1050	1029	+ 21	+ 12.8 %
Lower 48 Total	3414	3340	+ 74	+ 6.3 %

Units in billion cubic feet (Bcf)

Last week: Gas Rig Count Down 5 To 962

The gas rig count for the U.S. was down 5 last week and up 250 when compared to 12 months ago. The U.S. total rig count was up 9 last week and up 1024 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 10/1/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1659	+ 9	1024	+ 635
Gas	962	- 5	712	+ 250
Oil	687	+ 14	303	+ 384
Texas	718	0	390	+ 328
N. Amer.	1972	+ 40	1262	+ 710

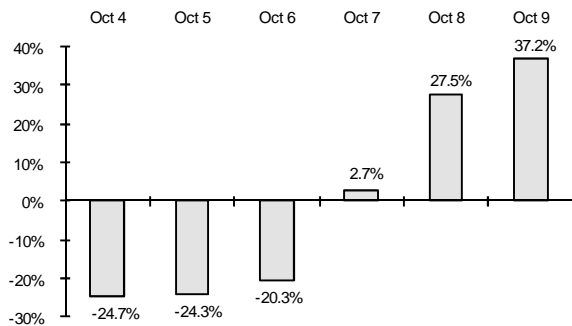
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy Use Low, Then High

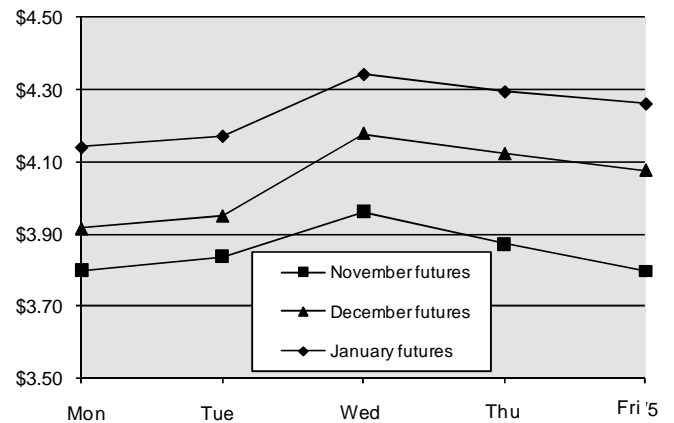
U.S. energy use is forecasted to be lower than normal through Wednesday, then higher than normal, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

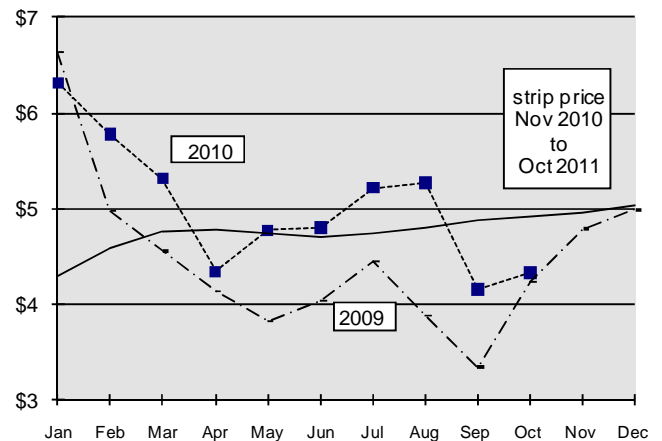
U.S. ENERGY USE FORECAST



NYMEX NATURAL GAS PRICE MOVEMENT 9/27/10 - 10/1/10



NYMEX HENRY HUB FUTURES PRICES



GAS PRICE SUMMARY AS OF 10/1/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November futures				
NYMEX	\$3.797	-\$0.084	-\$0.492	\$4.263